# APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 13,858

WALTHAM WATCH COMPANY, a corporation; HARRY ARONSON, individually, and as an officer of said corporation, and LAWRENCE ARONSON, as an officer of said corporation, *Petitioners*,

v.

FEDERAL TRADE COMMISSION, *Respondent*.

## Final Decree Affirming and Enforcing Order to Cease and Desist

Waltham Watch Company, a corporation, Harry Aronson, individually and as an officer of said corporation, and Lawrence Aronson, as an officer of said corporation petitioners herein; filed in this Court on August 16, 1962, a petition to review and set aside an order to cease and desist issued against them on June 15, 1962, by the Federal Trade Commission, respondent herein, in a proceeding before it entitled "In the Matter of Waltham Watch Company, a corporation, et al., Docket 7997;" and a copy of said petition having been served upon respondent; and the respondent having thereafter certified and filed in this Court a transcript of the entire record in said proceeding; and the matter having been heard by this Court on briefs and oral argument on May 22, 1963, and this Court having rendered its decision on June 3, 1963;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the prayer of the aforesaid petition to set aside the order of the Federal Trade Commission as to the petitioners herein be, and it hereby is, denied;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the order to cease and desist of the Federal Trade Commission be, and it hereby is, affirmed, and that petitioners be, and they hereby are, commanded forthwith to obey said order and to comply therewith.

By the Court.

/s/ F. RYAN DUFFY
*United States Circuit Judge*

/s/ ROGER J. KILEY
*United States Circuit Judge*

/s/ CASPER PLATT
*United States District Judge Sitting on the United States Court of Appeals for the Seventh Circuit*

Entered: June 28, 1963

A True Copy:
Teste:

KENNETH J. CARRICLE
*Clerk of the United States Court of Appeals for the Seventh Circuit.*

## APPENDIX B

BEFORE FEDERAL TRADE COMMISSION

* * (Caption-7997) * *

Commissioners:

Paul Rand Dixon, Chairman
Sigurd Anderson
William C. Kern
Philip Elman
Evertte MacIntyre

### Decision of the Commission and Order to File Report of Compliance

This matter having been heard by the Commission upon the exceptions to the initial decision filed by respondents, Waltham Watch Company, Harry Aronson and Lawrence Aronson, and upon briefs and oral argument in support thereof and in opposition thereto; and

The Commission having determined that the hearing examiner's findings and conclusions are fully substantiated on the record and that the order contained in the initial decision is appropriate in all respect to dispose of this matter:

It is ordered that Respondents' exceptions to the initial decision be, and they hereby are, denied.

It Is Further ordered that the respondents, Waltham Watch Company, a corporation, Lawrence Aronson, as an officer of said corporation, Harry Aronson, individually and as an officer of said corporation, and David Singer and Muriel Singer, individually, shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist.

JOHN W. SHEA,
*Secretary*

Issued: June 15, 1962

## APPENDIX C

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 13858

SEPTEMBER TERM 1962—APRIL SESSION 1963

WALTHAM WATCH COMPANY, et al., *Petitioners*,

v.

FEDERAL TRADE COMMISSION, *Respondent*.

**On Petition for Review of a Decision of the Commission and Order to Cease and Desist**

June 5, 1963

Before DUFFY and KILEY, *Circuit Judges*, and PLATT, *District Judge*.

DUFFY, *Circuit Judge*. This is a petition for the review of an order issued by the Federal Trade Commission after an administrative proceeding on a complaint which charged petitioners with unfair and deceptive acts and practices and unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act.

The complaint charged David Singer, trading as Time Industries, and Muriel Singer, his wife, individually, with false and deceptive advertising relative to the distribution of clocks which were imported from West Germany and carried the name "Waltham" on the face or dial of the clock.

The Waltham Watch Company, Harry Aronson and Lawrence Aronson, individually, and as officers of the corporation, were charged with placing the means, and instrumentalities in the hands of David Singer and Muriel Singer whereby distributors and the public may be misled as to the origin and manufacture of the "Waltham" clocks.

After a hearing, the Examiner found the allegations of the complaint were fully sustained by the evidence. The order prohibits the Singers, Waltham Watch Company, Harry Aronson, individually and as an officer of the Company, and Lawrence Aronson as an officer of the Company, from engaging in the practices challenged in the complaint.

Upon petition for review filed by Waltham Watch Company, Harry and Lawrence Aronson as officers of the Company, and Harry Aronson, individually, the Commission affirmed in every respect the Examiner's initial decision and order and adopted them as its own.

The well-known Waltham Watch Company was located at Waltham, Massachusetts. It was founded in 1849 and became a widely known manufacturer of watches and clocks. Some time prior to July 1957, Waltham Watch Company ceased the manufacture of watches. It had discontinued the manufacture of clocks somes years previously.

In July 1957, the Waltham Watch Company of Delaware was organized as the result of a "spin-off" of the original Waltham Watch Company. The location of the new Waltham Watch Company is Chicago, Illinois. The name of the old Company was changed to Waltham Precision Instrument Company. The newly organized Delaware corporation which is the petitioner herein, acquired from the old Massachusetts corporation, trademarks, good will and the trade name "Waltham." No inventory of watches was included because the latter had been transferred to Hallmark, Inc. under a 1956 license agreement between Hallmark and the original Massachusetts corporation. There was no inventory as to clocks because the old Massachusetts corporation had ceased manufacturing clocks a number of years previously. At no time since its organization in 1957 did the new Waltham Watch Company manufacture any watches or clocks. Whatever watches or clocks were sold by the new company were imported from European countries.

In 1959, the Waltham Watch Company, a Delaware corporation, was merged with Hallmark. Petitioner Harry Aronson was then president, and petitioner Lawrence Aronson was treasurer of Hallmark. Upon completion of the merger, Harry Aronson was elected president and Lawrence Aronson, vice president of the Delaware corporation, which thereafter continued to conduct its business under the name of "Waltham Watch Company."

In March 1958, about one year prior to the merger with Hallmark, Waltham Watch Company, the Delaware corporation, entered an agreement with David Singer trading as Time Industries. The latter was licensed to use the name "Waltham" in connection with the distribution and sale of clocks. The agreement provided that all advertising and promotional material must receive the prior written approval of Waltham Watch Company before being released for publication.

The clocks sold by Time Industries under the agreement, were imported by Waltham Clock Company from Germany. When Waltham and Hallmark merged, the agreement with Time Industries was continued by letter dated February 26, 1959. This letter was signed for Waltham by Harry Aronson, president. However, the working agreement was changed to the extent that Time Industries imported the clocks instead of Waltham.

On September 1, 1959, Singer, trading as Time Industries, entered into a formal licensing agreement with Waltham by which Singer was authorized to import clocks bearing the name "Waltham." A royalty of fifty cents per clock was to be paid to Waltham. A minimum annual royalty of $50,000 was, by the agreement, payable from Singer to Waltham.

Time Industries advertised in national magazines, periodicals and newspapers, and offered members of the public an opportunity to become franchised distributors

of Waltham clocks. We set forth extracts from typical advertisements circulated by Time Industries:

"FAMOUS 109-YEAR FIRM
ANNOUNCES NEW EXPANSION FRANCHISE PLAN

World Renowned
WALTHAM CLOCKS

Millions buy this great brand

You know WALTHAM is one of the four great names in watch making. Your grandfather did, too. WALTHAM, a great American name, backed by old world craftsmanship, for the design and styling of its clocks. . . ."

"When you become the WALTHAM Franchise Man in your town you've got a world famous name working for you, day and night, seven days a week."

"WALTHAM WATCH COMPANY

invites you to participate in one of the most gigantic expansion programs ever launched. . . ."

"WALTHAM CLOCKS

Product of WALTHAM WATCH COMPANY since 1850. For the first time in the history of direct selling a famous 150-year-old company with established national brand products offers you this opportunity."

The advertisements above quoted, and others of a like nature, were knowingly false and misleading. The "famous 109-year firm" and the "famous 150-year-old company" referred to the original Waltham Watch Company which had been located at Waltham, Massachusetts, but that company had nothing to do with the proposed sale of Waltham clocks. The advertisements were cunningly devised to deceive. The testimony shows that many persons who

paid money to the Singers for the privilege of selling "Waltham" clocks, were deceived by the advertisements and by the statement of Waltham representatives who called upon them. Many of these representatives displayed business cards to the prospective distributors. The words in largest print on these cards were "Waltham Watch Company." In slightly smaller print were the words "Manufacturers since 1850."

The final order of the Federal Trade Commission which adopted the Examiner's order insofar as its affects the petitioners herein, ordered the petitioners to cease and desist from using or authorizing any person to use the name of "Waltham" in connection with the sale of clocks or other products unless the public is clearly warned by a statement immediately in connection therewith that the product is not manufactured by the Waltham Watch Company of Waltham, Massachusetts.

The order further provided that if the product is of foreign origin, the country of origin be clearly and conspicuously disclosed on the product and on the advertising used in offering it for sale.

The order also required petitioners to cease and desist from "Placing any means or instrumentality in the hands of others whereby they may mislead the public, as to the manufacturer or any product which they sell, the manufacturer's age, experience and reputation or the country of origin of the product."

Petitioners argue that they should not be penalized and restricted because the licensing agreement with Singer contained a provision that all advertising and promotional material used by Singer was first to be presented and approved by Waltham before being used. But the record clearly indicates that officers of Waltham did receive and know about many complaints of misrepresentation. Mrs. Singer testified that proposed advertising was mailed to Waltham at various times. She testified, "If we didn't re-

ceive word back, we just went ahead with the advertising; we took it for granted that it was all right."

Certain it is, petitioners could not sit back and ignore the complaints pertaining to the acts of their licensee. Petitioners had placed in the hands of others the means and instrumentalities whereby many people had been hoodwinked, defrauded and misled. They must accept the responsibility for so doing.

Petitioners argue that they expeditiously cancelled the license with Singer. However, we do not regard a cancellation made more than two months after the complaint herein was filed, as acting in an expeditious manner. Plaintiffs knew of the complaints many months earlier but did nothing to stop the false representations until they figuratively felt the Federal Trade Commission breathing down their necks. Also, by the time of cancellation, Singer had fallen in arrears on his royalty payments.

The pertinent principles of law are clear. The owner of a trademark or tradename may not use, nor permit the use of, such trademark or tradename in a manner designed to deceive the public. *Federal Trade Commission* v. *Winsted Hosiery Company*, 258 U. S. 483, 494; *Edward P. Paul & Company, Inc.* v. *Federal Trade Commission*, DC Cir., 169 F. 2d 294, 295-6. Those who put into the hands of others the means by which they may mislead the public, are themselves guilty of a violation of Section 5 of the Federal Trade Commission Act. *R. B. James and Patrick Zusla, Individuals and Co-partners, Trading as Chicago Board Company* v. *Federal Trade Commission*, 7 Cir., 253 F. 2d 78-80; *International Art Company* v. *Federal Trade Commission, et al.*, 7 Cir., 109 F. 2d 393, 396.

There may be some basis for an argument that the form and scope of the order should be changed. However, we should keep in mind the well-established general principle that the Commission may require affirmative disclosure for the purpose of preventing future deception, and the Com-

mission may fashion orders broad enough to close all roads to the prohibited goal. *Federal Trade Commission* v. *Ruberoid Co.*, 343 U. S. 470, 473; *L. Heller & Sons, Inc., et al,* v. *Federal Trade Commission*, 7 Cir., 191 F. 2d 954, 956.

In *Federal Trade Commission* v. *Ruberoid Co., supra*, the main attack was on the breadth of the order. The Supreme Court stated, 343 U. S. at page 473: "In carrying out this function the Commission is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past. If the Commission is to attain the objectives Congress envisioned, it cannot be required to confine its road block to the narrow lane the transgressor has traveled; it must be allowed effectively to close all roads to the prohibited goal, so that its order may not be by-passed with impunity. Moreover, '[t]he Commission has wide discretion in its choice of a remedy deemed adequate to cope with the unlawful practices' disclosed . . . Congress placed the primary responsibility for fashioning such orders upon the Commission, and Congress expected the Commission to exercise a special competence in formulating remedies to deal with problems in the general sphere of competitive practices. Therefore we have said that 'the courts will not interfere except where the remedy selected has no reasonable relation to the unlawful practices found to exist.'"

Although if we were fashioning the remedy, we might have done so in some respects differently from that of the Commission, yet, as the function is primarily that of the Commission, we will approve the order as the Commission prepared it.

AFFIRMED.

A true Copy:

Teste:

.....

*Clerk of the United States Court of Appeals for the Seventh Circuit.*

## APPENDIX D

[COPIES MAILED]

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1963

No. .....

WALTHAM WATCH COMPANY, ET AL., *Petitioners*,

v.

FEDERAL TRADE COMMISSION

**Order Extending Time to File Petition for Writ of Certiorari**

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including Sept. 23, 1963.

/s/ TOM C. CLARK
*Associate Justice of the Supreme Court of the United States.*

Dated this 3rd day of Sept. 1963.

## APPENDIX E

**15 U. S. C. A. 45(a)**

Unfair methods of competition unlawful; prevention by Commission—Declaration of unlawfulness; power to prohibit unfair practices.

(a) Unfair methods of competition in commerce, and unfair, or deceptive acts or practices in commerce, are declared unlawful.

The Commission is empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to chapter 9 of Title 49, and persons, partnerships, or corporations subject to sections 181-203, 205-228 and 229 of Title 7, except as provided in section 227 of Title 7, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

## APPENDIX F

**15 U. S. C. A. 45 (b)**

PROCEEDING BY COMMISSION; MODIFYING AND SETTING ASIDE ORDERS

(b) Whenever the Commission shall have reason to believe that any such person, partnership or corporation has been or is using any unfair method of competition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The person, partnership, or corporation so complained of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring such person, partnership or corporation to cease and desist from the violation of the law so charged in said complaint. Any person, partnership or corporation may make application, and upon good cause shown may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Commission. If upon such hearing the Commission shall be of the opinion that the method of competition or the act or practice in question is prohibited by sections 41-46 and 47-58 of this title, it shall make a report in writing in which it shall state its findings as to the facts and shall issue and cause to be served on such person, partnership or corporation an order requiring such person, partnership or corporation to cease and desist from using such method of competition or such act or practice. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or if a petition for review has

been filed within such time then until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such a manner as it shall deem proper, modify or set aside in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or law have so changed as to require such action or if the public interest shall so require: *Provided, however*, that the said person, partnership or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate court of appeals of the United States, in the manner provided in subsection (c) of this section.

## APPENDIX G

**15 U. S. C. A. 1064**

CANCELLATION OF REGISTRATION

A verified petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905—

> (c) at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b) or (c) of section 1052 of this title for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used; or . . .
>
> (e) at any time in the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refused to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies;

*Provided*, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required. July 5, 1946, c. 540, Title I, § 14, 60 Stat. 433; Oct. 9, 1962, Pub. L. 87-772, § 9, 76 Stat. 771.

## APPENDIX H

### 15 U. S. C. A. 1115

SAME; REGISTRATION ON PRINCIPAL REGISTER AS EVIDENCE OF EXCLUSIVE RIGHT TO USE MARK; DEFENSES

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however*, that this defense or defect shall apply only for the area in which the mark was used prior to such registration of such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the anti-trust laws of the United States. July 5, 1946, c. 540, Title VI, § 33, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 18, 76 Stat. 774.

## APPENDIX I

SUPREME COURT OF THE UNITED STATES

No. ....., OCTOBER TERM, 1963

WALTHAM WATCH COMPANY, ET AL., *Petitioners*,

vs.

FEDERAL TRADE COMMISSION

**Order Extending Time to File Petition for Writ of Certiorari**

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing petition for writ of certiorari in the above-entitled cause be, and the same is hereby, further extended to and including September 26, 1963.

/S/ WILLIAM J. BRENNAN, JR.
*Associate Justice of the Supreme Court of the United States.*

Dated this 20th day of September, 1963.